

No. 11854

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

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RALPH E. JONES,

*Cross-Appellant,*

*vs.*

SCHICK SERVICE, INC., a corporation, and SCHICK, INC.,  
a corporation,

*Cross-Appellees.*

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## REPLY BRIEF OF CROSS-APPELLANT.

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## REPLY BRIEF OF CROSS-APPELLANT.

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On the cross-appeal by plaintiff, the defendants have filed an answer entitled "Brief of Cross-Appellees," and this brief is plaintiff-cross-appellant's reply thereto. The points in Brief of Cross-Appellees are replied to herein *seriatim*.

### I.

## COUNTERSTATEMENT OF THE CASE.

### Second Cause of Action.

The evidence is undisputed that at the time plaintiff Colonel Jones and Mr. Cordiner (president of defendant Schick. Inc.) shook hands and both said, "it's a deal," they had fully agreed upon a contract covering the following six subjects:

1. The subject matter licensed (*i. e.*, the patent in suit);
2. The term of the license (*i. e.*, the life of the patent in suit);
3. The scope of the license (*i. e.*, an exclusive license to defendant);

4. The royalty rate (*i. e.*, first  $1\frac{1}{2}\%$  and later  $1\%$ );
5. The basis of computation of the royalty (*i. e.*, the defendant's sales price); and
6. An advance of \$30,000.00 in cash from defendant to plaintiff (to be credited against subsequent royalties).

Defendants' attorney, Mr. Macdonald, admitted to the Trial Court that no other provisions of the contract had been discussed by the parties up to the time of the hand shaking. [Tr. 405.]

It is most important for this Court to appreciate that up until the hand shaking there was no discussion between the parties as to later agreement as to *any other terms*. All of the subsequent discussion and correspondence between the parties (some of which is set forth at great length in the Brief of Cross-Appellees, pp. 3-9) were as to things that occurred to the parties *after* they had come to full agreement on the six basic elements of the contract listed above.

### **First Cause of Action.**

Defendants continue to seek to confuse the slight rounding or bevelling of the corners and edges of the cutting heads of their shavers (which was conventional manufacturing practice) with the provision of separate rounded end guards (which is the construction of the patent in suit). (Brief of Cross-Appellees, pp. 11-13.) Such conventional rounding or bevelling is by buffing or polishing, and is simply to reduce the sharpness of the edges and corners of the conventional steel cutting head. The defendants' statement (p. 11) is *false* that "The patent in suit describes that all of the surfaces of the

shaving head should be rounded off to provide shaving comfort," there being not a single word in the patent in suit to support such a statement, as none of the claims in suit nor the specification of the patent refers to such a feature.

Defendants' statement that the claims on appeal describe no mechanical part not present in the conventional Schick Shavers (p. 12) is obviously erroneous. There is no contention by defendants that they ever used their "whiskits" or any other type of separate, rounded end-guards prior to the invention of the patent in suit, and the evidence is clear that such "whiskits" were not used until 1939, years after the filing of the application for the patent in suit.

## II.

### SUMMARY OF ARGUMENT.

*Point 1.* Plaintiff is not estopped to continue to seek relief in the alternative.

*Point 2.* The District Court's finding [Finding 23, Tr. 55, 56], that plaintiff and defendant entered into an oral patent license agreement, should be sustained.

*Point 3.* The oral license is not barred by the Statute of Frauds.

*Point 4.* Defendant Schick, Inc., is estopped to assert the invalidity of the patent in suit as a defense to the second cause of action on the contract.

*Point 5.* Plaintiff's second cause of action on the contract is not barred by Section 339(1) of the California Code of Civil Procedure.

*Point 6.* Claims 1, 11, 26, 27, 28, 29 and 30 are not invalid for indefiniteness.

*Point 7.* Claims 1, 11, 26, 27, 28, 29 and 30 are not invalid for lack of invention.



III.

ARGUMENT.

**Point 1. Plaintiff Is Not Estopped to Continue to Seek Relief in the Alternative.**

Defendants' contention that plaintiff has accepted benefits under the first cause of action is erroneous. No injunction has ever issued in this action. How plaintiff could be benefited by an injunction which has not issued is not clear to us. The surety bond voluntarily posted by the defendants in this case is plainly consistent with plaintiff's recovery on either cause of action in this case, computation of the bond being on the basis of the royalty required by the oral license agreement between the parties. All of the cases cited by defendants on this point are plainly distinguishable on the facts.

The proper rule is stated in *Automobile Ins. Co. v. Barnes-Manley Wet Wash Laundry Co.*, 168 F. (2d) 381 (1948), in which the Court, at pages 386-387, held:

"Moreover, the right to plead inconsistent causes of action and to seek relief in the alternative given by the Rules of Civil Procedure is not limited to the trial in the District Courts. Such right with respect to controversial questions of law obtains until final disposition on appeal. The motion is without merit and is denied."



**Point 2. District Court's Finding 23 That Plaintiff and Defendant Entered Into an Oral Patent License Agreement Should Be Sustained.**

As pointed out above under Counterstatement of the Case—"Second Cause of Action," the evidence is undisputed that the parties fully and definitely agreed upon *six* basic terms of the license contract at the time of the hand shaking, and that neither the hand shaking nor the agreement was conditioned in any way upon anything further.

It is asserted by defendants (p. 24) that there was no "hiatus" in the conversation between plaintiff and Mr. Merrick and Mr. Cordiner at the time of the agreement. We do not know what defendants mean by a "hiatus." It must be remembered, however, that just prior to the hand shaking, plaintiff, Colonel Jones, made his offer (complete in every respect) and that then Mr. Cordiner and Mr. Merrick excused themselves, left the room, and had a private conference before returning to the room where Mr. Cordiner said, "It's a deal," at which time the hand shaking took place. [Tr. 130-131, 270-271.] This overt act definitely broke the discussion into two separate parts, and clearly indicates that the hand shaking was a seriously considered event.

The cases cited by defendants (pp. 22-24) are all distinguishable on their facts from the facts in the present case. In none of such cases had the parties orally come to a complete agreement on every term necessary to the contract in question, and in most of them terms were discussed but unsettled at the time of the preliminary

agreement. That is not the situation here. In the present case, all vital terms were agreed upon at the hand shaking, and nothing previously discussed was left to future agreement.

It is respectfully submitted that nothing that took place between the parties after the hand shaking is material, because the contract was complete at the time of the hand shaking.

It is also respectfully submitted that it is immaterial whether either party thought it was bound by the oral agreement. In determining the existence of a contract, only the overt acts and words of the parties are of importance, and their secret intentions are immaterial. *See*: Williston on Contracts (1926 Ed.), Sections 21 and 28; 12 American Jurisprudence 509, 515-517; *Purdy v. Buffoms*, 95 Cal. App. 299, 272 Pac. 770. The rule was stated by Judge Learned Hand in the case of *Hotchkiss v. National City Bank of New York*, 200 Fed. 293 (D. C., N. Y., 1911), as follows:

“ . . . A contract has, strictly speaking, nothing to do with the personal, or individual, intent of the parties. A contract is an obligation attached by the mere force of law to certain acts of the parties, usually words, which ordinarily accompany and represent a known intent. If, however, it were proved by twenty bishops that either party, when he used the words, intended something else than the usual meaning which the law imposes upon them, he would still be held, unless there were some mutual mistake, or something else of the sort. . . . ”

**Point 3. The Oral License Agreement Is Not Barred  
by the Statute of Frauds.**

(a)

In its answering brief defendant Schick, Inc., fails to meet the point raised by plaintiff that the Statute of Frauds applies only to bilateral contracts which are executory in nature.

Defendant attempts to distinguish the case of *Emerson v. Universal Products Company, Inc.*, 162 Atl. 779, on the ground that there it was admitted that the oral license contract was entered into and the patented devices sold under the agreement, whereas in this case, defendant Schick, Inc., has denied entering into the license agreement. But since the Trial Court found in the instant case that the oral contract granting the license was in fact made [Tr. 55-56], it is impossible to see wherein the factual differentiation lies.

Defendant also suggests that there is another line of cases, contrary to the *Emerson Case* and other cases cited by plaintiff, which hold that an oral patent license agreement is unenforceable under the Statute of Frauds, citing *Buhl v. Stephens* and *Kurtz v. Ford Motor Co.* (p. 33). An examination of these cases shows that they do not in fact represent an opposing view. In the *Emerson Case*, as in the case at bar, the oral contract itself conferred the license. The result was a unilateral contract, a type which does not fall within the Statute of Frauds. In the two cases cited by defendants there was only an oral promise to give a license *in the future* resulting in a bilateral or purely executory contract.

In the present case a contract fully executed on one side resulted from plaintiff's parol grant of the license. From

the time of the making of the contract nothing remained to be done but the payment of money by defendant. It is submitted, therefore, that the contract was never in the class of contracts subject to the Statute of Frauds.

(b)

Defendant also contends that, assuming the Statute of Frauds is applicable to this contract, there arose no estoppel to assert it by any conduct on defendant's part. The basis of this argument is that the acts of plaintiff induced by defendant were not referable to the contract and therefore could not take it out of the Statute of Frauds.

As stated in *Rice v. McCarthy*, 73 Cal. App. 655, 239 Pac. 56 (1925), page 58:

“To constitute estoppel in pais it is axiomatic that the party estopped should have knowledge of the facts and should so act as to lead the party asserting the estoppel to do *what he otherwise would not have done.*” (Emphasis added.)

The Trial Court has found these requisites here. Moreover, where an estoppel, as distinguished from part performance, is raised, the conduct creating the estoppel may be completely independent of the contract. This is clearly pointed out in *Feeney v. Clapp*, 126 Cal. App. 729, 15 Pac. (2d) 178 (1932), where the Court stated, page 180:

“Although a contract may be within the Statute of Frauds, yet if the conduct of the party relying thereon has been such as to raise an equity *outside of and independent of the contract* he may be estopped to make that defense.” (Emphasis added.)

**Point 4. Defendant Schick, Inc., Is Estopped to Assert the Invalidity of the Patent in Suit as a Defense to the Second Cause of Action on the Contract.**

It is well established in the field of patent law that as long as the licensor-licensee relation exists, a licensee is estopped to assert the invalidity of the patent under which he is licensed. *See:*

*Kinsman v. Parkhurst*, 18 How. 289, 15 L. Ed. 385;

*United States v. Harvey Steel Co.*, 196 U. S. 310, 49 L. Ed. 492;

*Eureka Co. v. Bailey Co.*, 11 Wall. 488, 20 L. Ed. 209;

Walker on Patents, Deller's Ed., Sec. 383, and cases cited.

Nor can a licensee unilaterally and without cause terminate the license agreement, and the license contract is not at an end merely because notice is given by the licensee to the licensor that it repudiates the contract. In discussing the effect of such a renunciation the Supreme Court said in *St. Paul Plow Works v. Starling*, 140 U. S. 184, 35 L. Ed. 404, 408:

"We are of the opinion that the license, in the absence of a stipulation providing for its revocation, was not revocable by the defendant, except by mutual consent or by the fault of the other party. If the plaintiff, after receiving the notice, had sued the defendant for infringement, he would have been properly regarded as acquiescing in the renunciation; but, instead of that, he elected to regard the license as still in force, and brought an action to recover the royalties provided for by it, which he was entitled to



do. *Marsh v. Harris Mfg. Co.*, 63 Wis. 276; *Patterson's App.*, 99 Pa. 521; *Union Mfg. Co. v. Lounsbury*, 41 N. Y. 363.

"The defendant could not coerce the plaintiff into putting an end to the contract, by the means it adopted. It must bring a suit to set aside the contract before it can be allowed to say that, in regard to what it afterwards does, it does not act under the contract. . . ."

**Point 5. Plaintiff's Second Cause of Action on the Contract Is Not Barred by Section 339(1) of the California Code of Civil Procedure.**

This point of defendants was never presented in the Trial Court and accordingly no findings of fact or conclusions of law were made thereon.

It is well settled that an appellate court will not consider questions of law which are not raised and passed upon in the court below. *See:*

*Fleischmann Const. Co. v. U. S.*, 270 U. S. 349, 70 L. Ed. 624 (1926);

*Virtue v. Creamery Package Mfg. Co.*, 227 U. S. 8, 57 L. Ed. 393 (1913);

*Ex parte Keizo Kamiyama*, 44 F. (2d) 503 (C. C. A. 9, 1930);

*Hebets v. Scott*, 152 F. (2d) 739 (C. C. A. 9, 1945);

*Century Furniture Co. v. Bernhard's*, 82 F. (2d) 706 (C. C. A. 9, 1936).

Clearly this defense is a mere afterthought which it is submitted should not be initially considered by this Court.

In any event it is clearly without merit since the Trial Court found [Tr. 56]:

“Defendant Schick Inc. never performed any of its obligations under said oral contract, although requested to do so by plaintiff; and defendant breached and repudiated said oral contract. *Plaintiff at all times offered to perform all his obligation under said oral contract, but defendant Schick Inc. refused to accept performance by plaintiff.*” (Emphasis added.)

The assertion of defendants in their brief that plaintiff consented to the repudiation and renunciation of the contract by defendant Schick, Inc., and thereby initiated the running of the statute, is contrary to this finding of the Trial Court. Moreover, the rule of law cited in support of this position taken by defendant from 54 C. J., Section 127, page 44, must be qualified by the following language which amplifies and is quoted from this same paragraph of Corpus Juris, as follows:

“In order for this rule to apply, the party to whom the renunciation is made must accept it as a breach and treat the contract as at an end.”

In the present case, the promise of defendant was a continuing one during the life of the patent to pay money in installments as the royalties became due. The rule in California as to the commencement of the limitation period on such contracts is stated in 16 California Jurisprudence, Limitation of Actions, Section 111, as follows:

“Where a contract or judgment provides that money is payable in installments the statute runs upon each installment from the time that action may be brought thereon.”



**Point 6. Claims 1, 11, 26, 27, 28, 29, and 30 Are Not Invalid for Indefiniteness.**

The only respect in which defendants now assert that the appealed claims are indefinite is in the failure of the appealed claims to state the precise extent of rounding of the longitudinal beads 14 on the cutting head of the patent in suit. The Brief of Cross-Appellees (p. 46) states: "The indefiniteness of these claims in describing the alleged invention by Jones comprises the fact that all of the claims call for the edges of the head to be round or to merge into the surfaces of the head."

If this is the only alleged indefiniteness relied upon by defendants to support the finding of the District Court, the finding must fail completely because *none of the claims on appeal* (except claim 1) *mentions either of such features!* Plaintiff does not contend that there was any novelty in simply rounding the longitudinal beads 14 of the cutting head, such feature being shown in the French patent to Gaiztarro [Tr. 547], which was one of the prior art references considered by the Patent Office in connection with the application for the patent in suit. Rounding of such longitudinal beads 14 was merely an old feature in the art, and the appealed claims do not depend upon this feature for their novelty.

It is therefore submitted that the cases cited by defendants (pp. 48-50) have no application to the facts in this case.

**Point 7. Claims 1, 11, 26, 27, 28, 29, and 30 Are Not Invalid for Lack of Invention.**

The District Court *did not* find that claims 1, 11, 26, 27, 28, 29 and 30 were invalid for lack of invention. Consequently, the burden is upon defendants to establish this alleged defense *beyond a reasonable doubt*. See: *Bianchi v. Barili*, 168 F. (2d) (Adv. Ops.) 793, at 795 (C. C. A. 9th, 1948). It is submitted that defendants have wholly failed to carry this burden, and that the claims clearly define inventions. The novel features of these claims are set forth in our Opening Brief of Cross-Appellant (pp. 19-21) and the invention of the patent in suit is discussed in our Appellee's Brief (pp. 3-10, 16-24) on file in defendants' appeal in this case, to which the Court is respectfully referred to save repetition of the facts, law, and argument.

The only new point raised by defendants is as to plaintiff's disclaimer filed on February 21, 1948. In filing this disclaimer plaintiff was merely being discreet in view of the rule of law enunciated by this Court in the case of *Otis Elevator Co. v. Pacific Finance Corp.*, 68 F. (2d) 664 (1934). By statute, it is specifically provided that no disclaimer shall affect any pending action, as follows:

"But no such disclaimer shall affect any action pending at the time of its being filed. . . ."

35 U. S. C. A., Sec. 65.

The law is plain that after a disclaimer the patent is to be construed and interpreted as though it had never included the portion disclaimed. See: *Dunbar v. Meyers*, 94 U. S. 187, 24 L. Ed. 34. And the parts retained are not affected by the disclaimer. See: *Payne Furnace & Supply Co. v. Williams-Wallace Co.*, 117 F. (2d) 823 (C. C. A. 9th, 1941). It is therefore submitted that plaintiff's disclaimer has no effect upon the remaining claims.

**Conclusion.**

It is respectfully submitted that the decision of this Court should be in plaintiff's favor on his cross-appeal.

Respectfully submitted,

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